

AN ACT

ENTITLED, An Act to revise certain provisions regarding mutually binding agreements between beer wholesalers and brewers, to revise a term relative to beer industry relationships, and to make provisions for malt beverage brand extensions.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

Section 1. That § 35-8A-12 be amended to read as follows:

35-8A-12. Any waiver of the rights or remedies granted by this chapter is void. However, nothing in this chapter limits or prohibits suppliers and wholesalers from entering into mutually binding written agreements as defined in this chapter or to limit or prohibit good faith dispute settlements voluntarily entered into by the parties. However, no provision of any written agreement may purport to require the law of any state other than South Dakota to govern the relationship of the parties or to require wholesalers to waive the right to have disputes with their suppliers resolved in courts of competent jurisdiction in South Dakota or to require a wholesaler to waive the right to trial by jury in South Dakota.

Section 2. That § 35-8A-9 be amended to read as follows:

35-8A-9. Any party to a distribution agreement aggrieved by a violation of any provision of this chapter may seek injunctive relief enjoining the violation and recovery of damages caused by the violation. The prevailing party to any action charging a violation of this chapter is entitled to recover costs of suit and reasonable attorney's fees. Relief shall be sought in a civil action brought in the circuit court for the county in which the wholesaler's principal place of business is located, or in a federal court of competent jurisdiction located in South Dakota.

After a dispute arises, arbitration shall proceed only if all parties agree, at that time, to submit the dispute to arbitration and that the decision of the arbitrators shall be final and binding. The dispute shall be submitted to a panel of three arbitrators. One arbitrator shall be selected by the supplier within thirty days after the parties have agreed to arbitrate. One arbitrator shall be selected by the

wholesaler within thirty days after the parties have agreed to arbitrate. The third arbitrator shall be selected from a list of five candidates supplied by the American Arbitration Association at the request of the parties and made within ten days after the parties have agreed to submit the dispute to arbitration. Within ten days after receipt of the list, the wholesaler and the supplier may disqualify up to two candidates from the list. The American Arbitration Association shall select the third arbitrator from the candidates not disqualified by the parties. The arbitration shall proceed in accordance with the rules of the American Arbitration Association within thirty days after the selection of the arbitration panel has been completed. The cost of the arbitration shall be borne equally by the parties. The award of a majority of the arbitrators shall be final and binding on the parties.

Section 3. That chapter 35-8A be amended by adding thereto a NEW SECTION to read as follows:

For purposes of this chapter, the term, brand, means any word, name, group of letters, symbol, or combination thereof, that is adopted and used by a brewer or importer to identify a specific beer product, and to distinguish that beer product from another beer product.

Section 4. That chapter 35-8A be amended by adding thereto a NEW SECTION to read as follows:

For purposes of this chapter, the term, brand extension, means any brand that incorporates all or a substantial part of the unique features of a preexisting brand of the same brewer or importer and that relies to a significant extent on the goodwill associated with that preexisting brand.

Section 5. That chapter 35-8A be amended by adding thereto a NEW SECTION to read as follows:

Any brewer or importer, who assigns a brand extension to a wholesaler, shall assign the brand extension to the wholesaler to whom the brewer or importer granted the exclusive sales territory for the brand from which the brand extension resulted. This requirement does not apply to any assignment of a brand extension to a wholesaler that was made by a brewer or importer before the

effective date of this Act.

Section 6. That chapter 35-8A be amended by adding thereto a NEW SECTION to read as follows:

If prior to the effective date of this Act, a brewer or importer assigned a brand extension to a wholesaler who was not the appointed wholesaler for the brand from which the brand extension was made, then any additional brand extension shall be assigned to the wholesaler who first had the brand.

Section 7. That subdivision (6) of § 35-8A-2 be amended to read as follows:

- (6) "Good faith," the duty of each party to any agreement to deal with the other party in a fair, reasonable, and nondiscriminatory manner consistent with reasonable commercial standards of fair dealing;

Section 8. That § 35-8A-4 be amended to read as follows:

35-8A-4. No supplier may:

- (1) Induce or coerce, or attempt to induce or coerce, a wholesaler to do any illegal act by threatening to amend, cancel, terminate, or refuse to renew any agreement existing between the supplier and wholesaler, or by any other means;
- (2) Require a wholesaler by any means to participate in or contribute to any local or national advertising fund controlled directly or indirectly by a supplier, unless the cost is allocated fairly to each wholesaler in that market area according to sales to the wholesalers;
- (3) Withhold delivery of malt beverages ordered by a wholesaler or change a wholesaler's quota of a brand or brands if the action is not made in good faith;
- (4) Require a wholesaler to accept delivery of any malt beverages or other item or commodity which was not ordered by the wholesaler or which was ordered but properly canceled by the wholesaler in accordance with the procedures previously established by the supplier.

However, a supplier may impose reasonable inventory requirements upon a wholesaler if the requirements are made in good faith and are generally applied to other similarly

situated wholesalers of the supplier;

- (5) Require a wholesaler to purchase one or more brands of malt beverages in order for the wholesaler to purchase another brand or brands of malt beverage for any reason;
- (6) Prohibit a wholesaler from dealing in any product not supplied by the supplier, including any product of any other supplier of any other alcoholic beverage or any nonalcoholic product, or in any way attempt to regulate or control ancillary businesses of a wholesaler;
- (7) Fix or maintain the price at which a wholesaler may resell malt beverages;
- (8) Take any action not in good faith against a wholesaler for or because of the filing of a complaint regarding an alleged violation by the supplier of any state or federal law or administrative rule;
- (9) Refuse to approve any proposed manager or successor manager without good cause or require or prohibit any change in the manager or successor manager of a wholesaler who has been previously approved by the supplier without good cause. For the purposes of this subdivision, good cause is the failure of a manager or successor manager to meet commercially reasonable standards or to perform commercially reasonable duties as specified in an agreement between the supplier and wholesaler; or
- (10) Withdraw from or discontinue supplying to a wholesaler one or more brands or packages of malt beverages. However, nothing in this subdivision prohibits a supplier from withdrawing or discontinuing any brand or package on a statewide or on a media coverage area basis at any time on reasonable notice or conducting test marketing of a new brand or of a brand of beer which is not currently being sold in this state.

Section 9. That chapter 35-8A be amended by adding thereto a NEW SECTION to read as follows:

The provisions of this Act apply to any agreement in existence as of July 1, 1999, as well as any agreement entered into after July 1, 1999. Any written agreement in existence on July 1, 1999, which

is continuous in nature or which has no specific duration or renewal provision, shall be considered, for the purpose of this Act, to have been renewed ninety days after July 1, 1999.

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I certify that the attached Act
originated in the

HOUSE as Bill No. 1107

Chief Clerk
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Speaker of the House

Attest:

Chief Clerk

President of the Senate

Attest:

Secretary of the Senate

House Bill No. 1107
File No. _____
Chapter No. _____

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Received at this Executive Office
this _____ day of _____ ,
19____ at _____ M.

By _____
for the Governor
=====

The attached Act is hereby
approved this _____ day of
_____, A.D., 19____

Governor
=====

STATE OF SOUTH DAKOTA,
ss.
Office of the Secretary of State

Filed _____, 19____
at _____ o'clock __ M.

Secretary of State

By _____
Asst. Secretary of State